

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Washington, D.C., USA

Meeting Date: March 14—17, 2023

Agenda Item 8

For:

☒ Approval

☐ Discussion

☐ Information

REVENUE

Project summary	The aim of the Revenue project is to develop one or more standards that provide recognition and measurement requirements for revenue transactions.	
Project staff lead	<ul style="list-style-type: none"> Eileen Zhou, Principal 	
Drafting Group	<ul style="list-style-type: none"> Ian Carruthers, IPSASB Chair (Drafting Group Chair) Todd Beardsworth, IPSASB Member Claudia Beier, IPSASB Member Lynn Pamment, IPSASB Member Patricia Siqueira Varela, IPSASB Member Lindy Bodewig, South African National Treasury Johanna Clark, UNICEF Nicole Smith, European Commission 	
Meeting objectives Project management	Topic	Agenda Item
	Revenue: Project Roadmap	8.1.1
	Instructions up to Previous Meeting	8.1.2
	Decisions up to Previous Meeting	8.1.3
Decisions required at this meeting	Approval of IPSAS 47, <i>Revenue</i>	8.2.1
	Considering the Need for Re-Exposure	8.2.2
Other supporting items	[Draft] IPSAS 47, <i>Revenue</i> (review information)	8.3.1

REVENUE: PROJECT ROADMAP

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
Revenue	
March 2015	1. Approve Project Brief
June 2016	1. Discussion of the performance obligation approach with the Consultative Advisory Group 2. Discussion of IPSAS 23 Implementation Issues with Consultative Advisory Group
June 2017	1. Approve Consultation Paper
March 2018 to December 2018	1. Review Responses to the Consultation Paper
March 2019	1. Preliminarily approve the core text and authoritative guidance of the Exposure Draft for revenue with performance obligations 2. Develop Underlying Principles of Core Text and Authoritative Guidance for revenue without performance obligations
June 2019	1. Preliminarily approve updates to the core text and authoritative guidance of the Exposure Draft for revenue with performance obligations
September 2019	1. Review first draft of Exposure Draft for revenue without performance obligations, and discuss issues
December 2019	1. Approve Exposure Drafts
March 2020 to September 2020	1. Documents Out for Comment
December 2020 to March 2021	1. Review Responses 2. Discuss Issues
June 2021 to March 2022	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
June 2022 to December 2022	1. Review Responses 2. Discuss Issues 3. Develop IPSAS
February 2023	1. Develop IPSAS
March 2023	1. Approve IPSAS

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
Revenue		
February 2023	1. Update the recommended effective dates of IPSAS 47, <i>Revenue</i> to January 1, 2026 [instruction from February 2023, Agenda Item 1 on Measurement]	1. See Agenda Item 8.2.1
September 2022	1. Consult with the other IFAC standard setting boards to learn from their experience on the re-exposure of a near-final pronouncement.	1. See Agenda Item 8.2.2
October 2021	1. Consider how to communicate alignment with IFRS in supplemental materials.	1. Educational material after March 2023.
December 2019	1. All instructions provided up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance Obligations and ED 71, Revenue without Performance Obligations	1. See ED 70 and ED 71

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
Revenue		
February 2023	1. Subject to editorial comments, the proposed Illustrative Examples and Amendments to Other IPSAS should be incorporated into [draft] IPSAS 47, <i>Revenue</i> .	1. N/A – no BC is required for this process decision. Editorial changes are processed in [draft] IPSAS 47, <i>Revenue</i> (see Agenda Item 8.3.1).
December 2022	1. Subject to the upcoming work on illustrative examples, all issues raised in response to ED 70 and 71, and advice provided by CAG members, had been considered and addressed by the IPSASB.	1. N/A – no BC is required for this process decision.
December 2022	2. Subject to instructions regarding capital transfers, the lists of proposed illustrative examples for the draft Revenue IPSAS are appropriate.	2. BC34-BC36 in [draft] IPSAS 47
December 2022	3. The proposed approach to developing the revised Amendments to Other IPSAS for the draft Revenue IPSAS was appropriate.	3. N/A – no BC is required for this process decision.
December 2022	4. Subject to proposed drafting changes, the core text, application guidance, bases for conclusions, and implementation guidance sections in the draft Revenue IPSAS were appropriate for inclusion in the final IPSAS.	4. N/A – no BC necessary.
September 2022	1. The disclosure requirement proposed in ED 70 on compelled revenue transactions should be retained, without changes.	1. BC111–BC116
September 2022	2. Subject to the instructions below, the proposed implementation guidance topics are appropriate.	2. BC64, BC90, BC96, BC101, BC104, and BC108
July 2022	1. Subject to the instructions, the examples are appropriate for inclusion in the revised draft revenue IPSAS.	1. BC134
June 2022	1. IPSAS 41 accounting principles should be applied by analogy to subsequently measure non-contractual receivables, as proposed in the ED.	1. BC105–BC108
June 2022	2. The disclosure requirements proposed in the ED remain appropriate and should be retained, in the revised order proposed.	2. BC111–BC116
June 2022	3. The accounting for capital transfers is addressed by the general model on revenue arising from binding arrangements.	3. BC134
March 2022	1. The term ‘compliance obligation’ should be used for the single concept of an entity’s legally binding obligation arising from a revenue transaction with a binding arrangement.	1. BC28 and BC52

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March 2022	2. After approval of the new Revenue and Transfer Expenses pronouncements, if the IPSASB votes to re-expose, the new Exposure Draft should include a Specific Matter for Comment related to the new term for the single concept of an entity's legally binding obligation in a revenue transaction with binding arrangements.	2. Contingent on decision on Agenda Item 8.2.2 .
March 2022	3. An entity should consider whether changes in external factors indicate a change in the substance of its binding arrangement, or collectively with internal factors (such as intention to enforce) inform subsequent measurement considerations.	3. BC103, BC104, and BC120
December 2021	1. An entity's obligation in a binding arrangement in Revenue accounting is a narrower concept than 'present obligation' in the IPSASB Conceptual Framework: it is a legally binding obligation in a binding arrangement, which is a unit of account for revenue accounting, to use resources received/receivable in compliance with the terms of the binding arrangement.	1. BC22 and BC27
December 2021	2. The existing term 'performance obligation' should be adopted for binding obligations arising from revenue transactions with binding arrangements subject to any further staff analysis.	2. This decision was superseded by the March 2022 Decision regarding 'compliance obligation'. BC28 and BC52
December 2021	3. The proposed guidance should be incorporated in the Revenue IPSAS to clarify how an entity should distinguish its individual obligations in a binding arrangement, with refinements.	3. BC90
December 2021	4. Specified activities and eligible expenditures are examples of ways in which an entity may fulfill its obligations in a binding arrangement.	4. BC96
October 2021	1. Revenue guidance should be presented as a single IPSAS.	1. BC18, BC19, BC26, and BC29
September 2021	1. A transfer recipient recognizes a liability (deferred revenue) in its binding arrangement when it has received resources prior to fulfilling its present (compliance) obligation(s), and the enforceable terms of the binding arrangement require the entity (i.e., the transfer recipient) to transfer resources to another party if it does not fulfill its present (compliance) obligation(s).	1. BC92
September 2021	2. A liability (deferred revenue) is extinguished as the transfer recipient fulfills its present obligations to earn revenue.	2. BC93
September 2021	3. The detailed review of guidance in the draft pronouncements, based on Board decisions for the Revenue and Transfer Expenses projects, be delegated to the Drafting Group.	3. N/A – DG decided no BC is required for this process decision. The DG is a sub-group for the Board.
September 2021	4. The guidance in the draft IPSAS based on ED 71 and ED 72 be reordered to require the entity to consider up	4. BC18 and BC64

	front whether the transaction arises without or with a binding arrangement.	
June 2021	1. Retain the definition of a 'binding arrangement' in the Revenue standard(s), as it is conceptually consistent with the definitions elsewhere in IPSAS literature, with the following minor wording revisions: include "for the purposes of this Standard," and "enforceability through legal or equivalent means", and change "both parties" to "the parties".	1. BC47
June 2021	2. Clarify in the Revenue and Transfer Expenses standards that enforceability is based on the entity's ability to enforce the binding arrangement and uncertainty of enforcement is a measurement issue.	2. BC120
June 2021	3. Confirm that enforceability is the ability to impose consequences on parties that do not fulfill their agreed-upon obligations in the binding arrangement, and the guidance proposed in paragraph 21 should be added as Application Guidance.	3. BC16
June 2021	4. Confirm that the assessment of enforceability of a binding arrangement occurs at inception and when a significant external change indicates that there may be a change in the enforceability of that binding arrangement.	4. BC120
June 2021	5. Confirm that legal or equivalent means is consistent with 'legal obligation' as described in the Conceptual Framework Chapter 5 and is not 'non-legally binding obligation'	5. BC32
June 2021	6. Revise the definition of a liability in the IPSASB's Conceptual Framework by replacing 'outflow of resources' with 'transfer of resources' as the revised wording clarifies (i.e., does not substantially change) the underlying concepts.	6. Processed in the Conceptual Framework project. Also see BC91
June 2021	7. Incorporate additional guidance and examples into the Conceptual Framework on 'transfer of resources', as outlined in the Agenda Item, to clarify the ambiguities associated with what entails a 'transfer of resources'	7. Processed in the Conceptual Framework project.
April 2021	1. Confirm, for revenue, that there is no initial recognition when no party has fulfilled its stated obligations under the binding arrangement, unless the binding arrangement is onerous. Accounting for the binding arrangement begins when the binding arrangement is at least partially fulfilled (i.e., at least one party begins to fulfill one or more of its stated obligations).	1. BC94
April 2021	2. An entity's right and obligation within a binding arrangement are directly linked and interdependent. When the binding arrangement is wholly unfulfilled, the combined right and obligation constitutes a single asset or liability.	2. BC94
March 2021	1. Revise the title(s) of the proposed revenue standard(s) to reflect the nature of revenue transactions in the public sector.	1. BC18

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March 2021	2. For the time being, continue to present revenue guidance as two separate standards with the standard based on ED 71, <i>Revenue without Performance Obligations</i> first (i.e., Option 1).	2. N/A – no longer necessary based on October 2021 Agenda Item 3.2.1 decision to have a single Revenue IPSAS.
March 2021	3. Retain the concept of a binding arrangement as a fundamental concept for revenue accounting, and that the existence of rights and obligations within, and enforceability of, a binding arrangement mean that it contains at least one present (compliance) obligation.	3. BC15 and BC48
March 2021	4. Adopt the principle that enforceability of a binding arrangement can arise from various mechanisms, so long as the mechanism(s) provide the entity with the ability to enforce the binding arrangement and hold the parties accountable to the satisfaction of stipulated obligations.	4. BC16
March 2021	5. Highlight that an entity should assess all relevant factors at the transaction date to determine whether an arrangement is enforceable.	5. BC121
March 2021	6. Retain revenue from performance obligations as a separate type of revenue.	6. This decision has been incorporated in conjunction with December 2021 Decisions. See BC11, BC20–BC26, BC28, and BC29
March 2021	7. Highlight that performance obligations are a subset of present obligations that embody a specific transfer of a distinct good or service to a purchaser or third-party beneficiary.	7. This decision has been incorporated in conjunction with December 2021 Decisions. See BC11, BC20–BC26, BC28, and BC29
March 2021	8. Revise existing Application Guidance to state that, where there is objective evidence that a portion of consideration relates to the transfer of distinct goods or services to the purchaser/transfer provider or a third-party beneficiary, disaggregate the transaction price and account for the component(s) relating to the transfer of distinct goods or services in accordance with ED 70, <i>Revenue with Performance Obligations</i> then use ED 71 to account for any remaining component(s). If the portion is unclear, account for the entire transaction in accordance with ED 71.	8. This decision has been incorporated in conjunction with December 2021 Decisions. See BC30
March 2021	9. Highlight that enforceability in a binding arrangement gives rise to a liability (deferred revenue) for the transfer recipient to the extent that the terms of the arrangement are not yet satisfied.	9. BC91-BC92

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March 2021	10. Proceed with the proposed Revenue project plan, use in-period review sessions as needed, and revisit the need, role, and composition of a Task Force in Q2 2021.	10. N/A – no BC is required for this process decision.
December 2020	1. Reorder the draft guidance in ED 70 and ED 71 to begin with ED 71, either as a separate standard, or a combined standard.	1. BC18
December 2020	2. Address concerns over the nature and length of disclosures in all three EDs by taking a principles-based approach focusing on the nature of the transactions and their risks.	2. BC112
December 2019	1. All decisions made up until December 2019 were reflected in the Exposure Draft (ED) 70, Revenue with Performance Obligations and Exposure Draft (ED) 71, Revenue without Performance Obligations	1. All decisions made up until December 2019 were reflected in the ED 70 and ED 71

Approval of IPSAS 47, *Revenue*

Question

1. Does the IPSASB agree to vote to approve IPSAS 47, *Revenue*, and the proposed effective date of January 1, 2026?

Recommendation

2. Staff recommend the IPSASB:
 - (a) Vote to approve IPSAS 47 based on the IPSASB's Program and Technical Director assertion that due process has been followed effectively in its development; and
 - (b) Select an effective date of January 1, 2026.

Background

3. The IPSASB completed its detailed review of the full [draft] IPSAS 47 at its February 2023 check-in meeting. This paper summarizes the IPSASB's work in compliance with due process in developing [draft] IPSAS 47, walks through next steps to the facilitate approval, and asks the IPSASB to approve IPSAS 47.
4. Once the Board approves the new IPSAS, it will consider the need for re-exposure¹. This paper should be considered in conjunction with [Agenda Item 8.2.2](#) (which assesses whether vote for re-exposure is necessary).

Analysis

Due Process

5. IPSAS 47, *Revenue* supersedes IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*, and IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. The IPSASB has followed due process throughout this project (see full analysis in [Appendix A](#)). Key activities and final steps in due process are provided below.
6. The IPSASB released [Exposure Draft \(ED\) 70, *Revenue with Performance Obligations*](#) and [ED 71, *Revenue without Performance Obligations*](#) in February 2020. The IPSASB received 73 and 65 comment letters, respectively, which were reviewed and analyzed by IPSASB staff.
7. Between December 2020 and February 2023, the IPSASB discussed and addressed issues raised by EDs 70-71 respondents in its development of [draft] IPSAS 47, *Revenue*.
8. When the staff are satisfied a proposed final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval:
 - (a) **Staff present the revised content of the exposed international standard to the IPSASB;**
See [Agenda Item 8.3.1](#).

¹ IPSASB Due Process requires the IPSASB to consider whether there has been a substantial change from the original exposure draft such that a vote on re-exposure is necessary. An affirmative vote by IPSASB in accordance with the IPSASB's Terms of Reference that re-exposure is required to issue a re-exposure draft. If the IPSASB votes to re-expose, the basis of its decisions is recorded in the minutes. The re-exposure would be accompanied with a summary memorandum (At-a-Glance document) that includes the rationale and sufficient information to understand the changes made as a result of the earlier exposure.

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- (b) **The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;**

The IPSASB Program and Technical Director asserts that due process has been followed effectively in developing [draft] IPSAS 47.

- (c) **The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;**

The IPSASB Chair asks the IPSASB for confirmation on due process.

- (d) **The IPSASB votes on the approval of IPSAS 47 in accordance with its [Terms of Reference](#);**

Staff recommend the approval of IPSAS 47.

- (e) **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Based on its analysis in [Agenda Item 8.2.2](#), staff conclude that there are no substantial changes that would require a vote on re-exposure by the IPSASB, and the benefits of re-exposure do not justify the costs.

- (f) **The IPSASB sets the effective date of the application of IPSAS 47; and**

Staff recommend the IPSASB set an effective date for IPSAS 47 of January 1, 2026, for the reasons provided in [Appendix A](#).

- (g) **The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.**

Staff highlights that [draft] IPSAS 47 includes the Basis for Conclusions ([Agenda Item 8.3.1](#)).

Decision Required

9. Does the IPSASB agree with the staff [recommendation](#)?

Appendix A – Detailed Due Process for Approval of IPSAS 47, Revenue

1. IPSAS 47, *Revenue* supersedes IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*, and IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. The IPSASB has followed due process throughout this project. As such, the detail of the final steps in due process are noted below.
2. IPSASB issued [Consultation Paper, Accounting for Revenue and Non-Exchange Expenses](#) in August 2017. The IPSASB received 38 comment letters, which were deliberated and considered in forming its views and development of the exposure drafts.
3. The IPSASB released [Exposure Draft \(ED\) 70, Revenue with Performance Obligations](#) and [ED 71, Revenue without Performance Obligations](#) in February 2020. The IPSASB received 73 and 65 comment letters, respectively, which were reviewed and analyzed by IPSASB staff.
4. Between December 2020 and February 2023, the IPSASB discussed and addressed issues raised by EDs 70-71 respondents in its development of [draft] IPSAS 47, *Revenue*.
5. When the staff are satisfied a proposed new final international standard is ready for approval, IPSASB's [Due Process and Working Procedures](#) sets out the necessary steps to facilitate its approval (bolded procedures require action by the IPSASB):

(a) Staff present the revised content of the exposed international standard to the IPSASB;

[Agenda Item 8.3.1](#) includes all changes in mark-up from the version presented at the February 2023 check-in meeting. Changes since the EDs reflect matters raised in comment letters to help constituents apply the Standard (IPSAS 47) in practice. There were no substantial changes to the principles in the Standard (see [Agenda Item 8.2.2](#) for details).

(b) The IPSASB Program and Technical Director advises the IPSASB on whether due process has been followed effectively;

The IPSASB Program and Technical Director, asserts that due process has been followed effectively, noting that:

- [ED 70](#) and [ED 71](#) were issued for consultation;
- Responses to the EDs were received and made publicly available on the IPSASB website;
- The IPSASB has deliberated significant matters raised in the comment letters at its meetings between December 2020 and February 2023, and decisions taken have been minuted;
- The IPSASB also considered in December 2022 whether all issues raised by respondents to the EDs have been addressed and concluded that the all revenue issues have been resolved in the development of [draft] IPSAS 47. In March 2023, the IPSASB will formally be asked to re-confirm whether there are any issues raised by respondents, in addition to those summarized by staff, that it considers should be discussed by the IPSASB and agree there are none.

(c) The IPSASB confirms whether or not it is satisfied the due process has been followed effectively;

The IPSASB Chair asks the IPSASB for confirmation on due process.

- (d) **The IPSASB votes on the approval of IPSAS 47 in accordance with its [Terms of Reference](#);**

Staff recommend the approval of IPSAS 47.

- (e) **The IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary;**

Staff completed a thorough analysis in [Agenda Item 8.2.2](#), and confirm that there have been no substantial changes that would require a vote on re-exposure by the IPSASB, and the potential benefits of re-exposure do not justify the costs from a public interest perspective. Changes since the EDs reflect matters raised in comment letters to help constituents apply the Standard (IPSAS 47) in practice. There were no substantial changes to the principles.

- (f) **The IPSASB sets the effective date of the application of IPSAS 47; and**

The IPSASB will need to consider the effective date of IPSAS 47. Paragraph A44 of the IPSASB's Due Process and Working Procedures requires the IPSASB to consider the reasonable expected minimum period for effective implementation, including the need for translation into national languages.

Staff note that the IPSASB's usual practice when approving a new IPSAS is to set an effective date that commences:

- (a) A minimum of 18 months after the publication of a Standard; and
- (b) On January 1.

IPSAS 47 is expected to be published in May 2023. If the IPSASB were to follow its usual practice for major new pronouncements, this would result in an effective date of January 1, 2026 (31 months after publication).

Staff considered the following in proposing this effective date:

[1] Effective Date of IFRS 15

Staff note that IFRS 15, *Revenue from Contracts with Customers*, from which the binding arrangement accounting requirements in IPSAS 47 are primarily drawn from, originally proposed a 2.5-year period for effective implementation.² The delayed effective date is because of the unique attributes of IFRS 15, including the wide range of entities that will be affected and the potentially significant effect that a change in revenue recognition has on other financial statement line items (IFRS 15, BC450). This effective date provided enough time for all preparers to implement the requirements of IFRS 15.

Staff highlight that public sector preparers are facing a similar situation as in the private sector, as IPSAS 47 is a substantial change from existing revenue IPSAS (i.e., IPSAS 9, IPSAS 11, and IPSAS 23), and entities would benefit from additional time to address practical

² IFRS 15 was published in May 2014 with an original mandatory effective date of January 1, 2017 (i.e., 31 months). In September 2015, the IASB deferred this effective date to January 1, 2018, as it had tentatively decided to propose targeted amendments to IFRS 15 which entities may wish to apply at the same time. The amendments ("Clarifications to IFRS 15") were issued in April 2016 and did not change the underlying principles, but rather clarified its application and provided additional transitional relief. The updated IFRS 15 (i.e., with the 2016 Clarifications) was already available and considered by the IPSASB when it began drafting the proposals during ED stage.

implementation challenges, such as the potential need for complex models and new or upgraded systems, in order to comply with IPSAS 47.

Staff conclude that there is merit in providing the same 2.5-year period as in the private sector for effective implementation of IPSAS 47 in the public sector.

[2] Other Considerations from the Public Interest Perspective

The IPSASB discussed its recent and upcoming approvals at the February 2023 check-in meeting and considered how to stagger effective dates. The IPSASB tentatively agreed that an effective date of January 1, 2026 may be appropriate for IPSAS 47.

Staff are of the view that this effective date strikes a balance from a public interest perspective. While staff acknowledge that IPSAS 47 is substantially different from the existing suite of revenue IPSAS and entities would benefit from time to implement, entities may also face other direct and indirect costs from a delayed adoption, as the issues and challenges identified by constituents regarding the current suite of revenue IPSAS will remain in the interim. Constituents have noted a keen interest in adopting improved Revenue guidance.

At this time, IPSAS 47 and IPSAS 48, *Transfer Expenses* are the only two IPSAS that may be effective on January 1, 2026.

Conclusion

Therefore, staff recommend an effective date for IPSAS 47 of January 1, 2026.

(g) The IPSASB issues Basis for Conclusions with respect to comments received on an exposure draft.

Staff highlights that [draft] IPSAS 47 includes Basis for Conclusions ([Agenda Item 8.3.1](#)).

Considering the Need for Re-Exposure

Question

1. Should IPSAS 47, *Revenue* be re-exposed?

Recommendation

2. On balance, staff does not recommend re-exposure of IPSAS 47 because:
 - (a) In accordance with due process, there are no substantial changes identified which would constitute potential grounds for re-exposure; and
 - (b) From a public interest perspective, the potential benefits do not justify the costs, as re-exposure is not expected to yield any new information not already considered by the IPSASB, but will impose significant costs on constituents and the IPSASB.

Background

3. The IPSASB adopts a formal [Due Process and Working Procedures](#) in promulgating the IPSAS. The IPSASB has followed due process in the development of draft IPSAS 47 (see [Appendix B](#) for relevant excerpts).
4. Due process now requires the IPSASB to:
 - (a) **Approve the new final standard before deliberating re-exposure** – This enables the IPSASB to evaluate whether it has effectively considered and made decisions that address all matters raised in comments, independent of whether re-exposure is beneficial; then
 - (b) **Determine whether a vote on re-exposure is necessary** – The Working Procedures of Due Process provide considerations for this assessment. The need for re-exposure is considered holistically, including the benefits and costs to the IPSASB and to public interest; and
 - (c) **If the IPSASB concludes a vote is necessary, then IPSASB members will vote on re-exposure** – Re-exposure requires 2/3 of IPSASB members to vote in favor, and the basis for re-exposure is recorded in the minutes.
5. The IPSASB has never re-exposed a pronouncement since its due process was documented and formalized in 2016 as part of the implementation of its new oversight arrangements. Staff have not identified any previous instances of re-exposure prior to due process being documented and formalized. Re-exposure is also rare with the related international standard setting boards affiliated with IFAC³.

Analysis

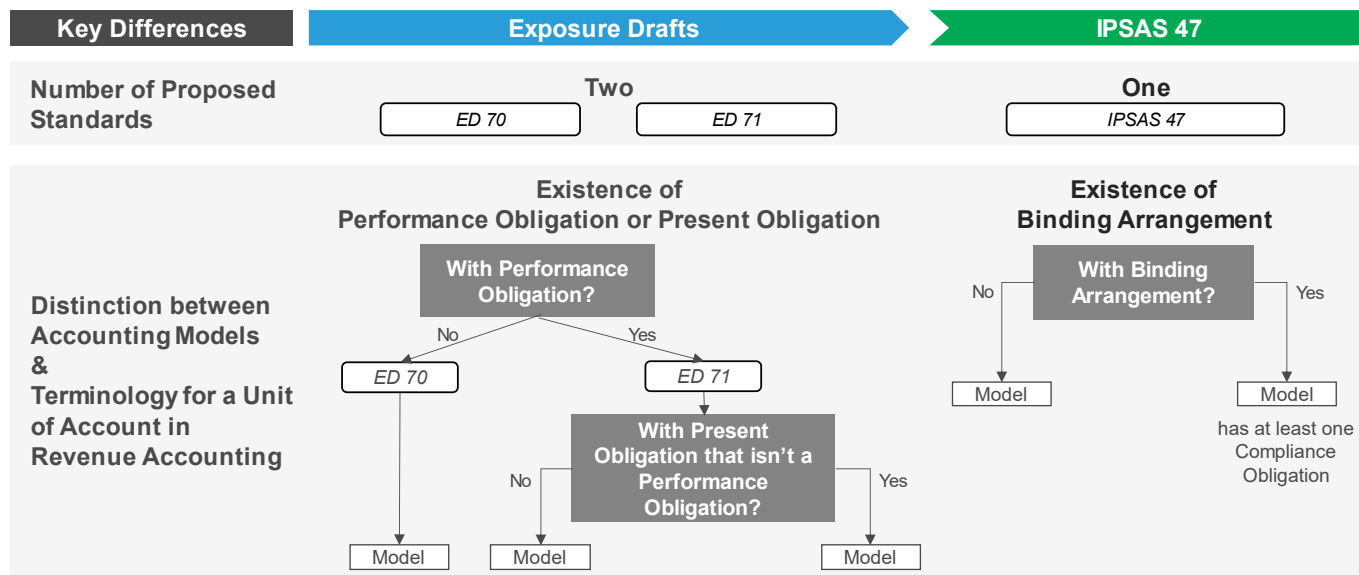
6. Due Process *does not require* re-exposure; rather, it requires the IPSASB to consider whether there has been a substantial change to the exposed document which would *warrant* re-exposure. The related working procedures provides three examples:
 - (a) Substantial change to a proposal *arising from matters not aired in the exposure draft* such that commentators have not had an opportunity to make their views known to the IPSASB before it reaches a final conclusion;

³ The International Auditing and Assurance Standards Board and the International the International Ethics Standards Board for Accountants have considered re-exposure, however, actual instances of re-exposure are rare.

- (b) Substantial change *arising from matters not previously deliberated* by the IPSASB; or
 - (c) Substantial change *to the substance* of a proposed international standard.
7. The need for re-exposure is considered holistically. Staff considered whether: [A] there were substantial changes to the final standards; and [B] the benefits justify the costs of re-exposure.

[A] No Substantial Changes Since Exposure in Response to Constituents' Comments

8. Staff considered the IPSASB's progress, key differences between [draft] IPSAS 47 and the proposals in Exposure Draft (ED) 70 and ED 71, to determine whether there are substantial changes.



9. Staff acknowledge that:
- (a) **The structure of guidance looks different** – Revenue guidance is now presented in a single Standard. This addresses constituent concerns, and overall improves usability and readability.
 - (b) **The underlying accounting principles have not changed substantially** – Rather, the IPSASB made changes using a principled approach and addressed constituent feedback by more clearly articulating core principles, and improving non-authoritative guidance to help preparers use professional judgment to consider facts and circumstances in applying principles consistently. Of particular note:
 - (i) *The focus has shifted to the existence of binding arrangements* – The binding arrangement concept already existed in IPSAS and the EDs. The IPSASB clarified that the enforceability of an entity's rights and obligations is key to appropriate accounting. This revised focus eliminates complexity and confusion in the proposed EDs.
 - (ii) *A new term is used for the unit of accounting to recognize and measure revenue* – The EDs used "performance obligation" and "present obligation" to describe the unit of account in a legally-binding revenue transaction. However, the accounting principles were driven by the enforceability of the terms in the arrangement, and not the economic nature of its promises. The IPSASB decided to use a new term to describe this unit of account for use in the public sector.
10. The IPSASB actively obtained and considered constituent feedback in its work through:

- (a) **Two consultations** – The 2017 Consultation Paper (CP) received 38 responses, and the 2020 ED 70 and ED 71 received 73 and 65 responses, respectively. The IPSASB deliberated and considered all constituent comments in forming its views on developing IPSAS 47;
 - (b) **Active involvement in drafting from key IPSAS adopters** – The IPSASB undertook an innovative approach for this project phase by establishing a Drafting Group (DG), which included representatives from the United Nations and the European Commission. The DG worked closely with staff to draft guidance to reflect the IPSASB's decisions and has helped assess the areas of judgment that should be supported with non-authoritative guidance. This approach allowed us to actively consider the usability and readability of the proposed IPSAS through regular touchpoints and ongoing engagement with these key constituents; and
 - (c) **Outreach activities** – Throughout this project, IPSASB members and staff continued to engage with constituents through workshops, discussions, and reviews of real arrangements.
11. None of the changes since the EDs would be considered substantial changes because they arose from matters already aired in the exposure drafts, for which constituents had shared views and that were already deliberated by the IPSASB, and there is no change in the substance of the proposed Standard. [Appendix A](#) provides a detailed review of differences between IPSAS 47 and the EDs.

[B] Costs/Benefits of Re-exposure

12. Staff also considered whether the potential benefits of a re-exposure would justify expected costs.
13. **Potential benefits are limited:** As summarized in paragraph 10, the IPSASB has been on a comprehensive journey since 2015 by actively engaging with constituents to collect feedback through its CP and ED issuances, as well as various outreach activities. The changes summarized above are in direct response to comments received from constituents on both the structure and principles in the proposed Revenue IPSAS. Thus, the benefits of re-exposure are expected to be limited, as it is unlikely to yield new insights or information not already considered in the development of IPSAS 47.
14. **Expected costs may be significant:**
- (a) *IPSASB members and staff:* Re-exposure would require additional resources, to undertake outreach on the re-exposure draft, review responses, and make any final changes deemed necessary by the IPSASB. This would delay work on other projects, without necessarily receiving any feedback that would substantially alter its proposals; and
 - (b) *The public sector:* Stakeholders informed the IPSASB in 2015 that updating the revenue guidance was a priority. The Revenue project is now in its eighth year, and IPSAS users are keen to adopt new Revenue guidance and improve their revenue accounting. Re-exposure may delay the effective date of the proposed IPSAS, and the issues and challenges identified by constituents regarding the current suite of IPSAS for revenue will remain in the interim. Finalization of the new Revenue guidance would allow preparers to begin planning and implementing changes to their systems, process, and controls, to adopt the new Revenue IPSAS, and would help national standard setters to begin undertaking their own processes⁴.

⁴ Those that use IPSAS indirectly or thought national standards are likely to have to undertake their own consultations with local stakeholders.

Summary

15. Staff's recommendation considered the above analysis regarding the key changes, the active and ongoing constituent engagement, and the costs vs. benefits. On balance, staff do not recommend re-exposure because:
 - (a) There are no substantial changes which necessitate re-exposure; rather, all changes reflect a principled approach and addressed feedback from constituents; and
 - (b) From a public interest perspective, the expected costs of re-exposure outweigh the potential benefits.

Decision Required

16. Does the IPSASB agree with the staff [recommendation](#)?

Appendix A: Summary of Key Changes since the Exposure Drafts

The following table summarizes key changes since the proposed revenue Exposure Drafts (ED 70 and ED 71). No substantial changes were made to other guidance proposed in the EDs (e.g., measurement principles, effective date and transition, etc.).

Change	EDs 70-71	Constituent feedback/concerns	IPSAS 47	Assessment of Change
Structure	Two separate standards	<ul style="list-style-type: none"> • Duplication of guidance • Unclear which proposed standard would apply 	One standard	No substantial change – a single standard: <ul style="list-style-type: none"> • Eliminates duplication • Applies to all revenues
Identifying the transaction	Scoping and applicable accounting models based on existence of <u>performance obligations</u> ; if not, whether <u>present obligations</u> exist	<ul style="list-style-type: none"> • Difficult to apply • Did not sufficiently consider prevalence and reality of transactions in the public sector • Incorrect application would lead to incorrect accounting treatment 	Applicable accounting models based on whether transaction arises from a <u>binding arrangement</u> or not	No substantial change – revised focus: <ul style="list-style-type: none"> • Creates a clearer, more logical, and more streamlined process to assess which accounting model to apply • Better acknowledges the prevalence of revenue transactions in the public sector • Clarifies and emphasizes the importance of enforceability
Recognition	Use of ‘performance obligations’ and ‘present obligations’	<ul style="list-style-type: none"> • Unclear difference between, and usage of, the two terms • Did not align with nor replace “exchange” and “non-exchange” in the current IPSAS 	Use of ‘compliance obligations’	No substantial change – a single new term: <ul style="list-style-type: none"> • Describes a unit of account for revenue accounting more simply and clearly (i.e., the three terms/concepts are all intended to be units of account for recognition and measurement of revenue) • Encompasses what was previously ‘performance obligation’ and ‘present obligation’ in a clearer manner • Avoids splitting the unit of account into subsets when there are no accounting implications <i>Note: No substantial changes in principles.⁵</i>

⁵ IPSAS 47 also puts less emphasis on specified activities and eligible expenditures than in ED 71; rather, IPSAS 47 clarifies that they are measure of progress to satisfy compliance obligations. This is not a change in an accounting principle.

Change	EDs 70-71	Constituent feedback/concerns	IPSAS 47	Assessment of Change
Display and disclosure	Two sets of disclosures, drawn from IFRS 15 and existing IPSAS (e.g., IPSAS 23)	<ul style="list-style-type: none"> • Too extensive, may not be useful • Did not sufficiently consider nature of public sector revenues • Did not sufficiently emphasize need for judgment 	One set of disclosures, with clearer guidance and signposts to identify relevant requirements	No substantial change – disclosures: <ul style="list-style-type: none"> • Align with the accounting principles and models • Prompt entities to consider which disclosures are relevant and material, as not all requirements need to be applied
Non-authoritative guidance	No IGs and 96 IEs (64 in ED 70, 32 in ED 71)	<ul style="list-style-type: none"> • Additional guidance needed to help preparers make judgments in applying principles 	13 IGs and 58 IEs	No substantial change – the new set of non-authoritative guidance: <ul style="list-style-type: none"> • Aligns with the accounting principles and models • Provides clearer guidance and support to identify and consider revenue transactions and apply accounting principles, and applying judgments based on the facts and circumstances of an entity's revenue transactions

Appendix B: IPSASB Due Process

Compliance with Due Process to Date

- a) The IPSASB has followed due process in the development and approval of draft IPSAS 47, *Revenue*, including key due process steps below:
- March 2015 Project Brief – The IPSASB completed scoping activities, including consultation with constituents to prioritize work program topics, and research issues to address.
 - August 2017 Consultation Paper (CP), *Accounting for Revenue and Non-Exchange Expenses* – While optional, the IPSASB acknowledged that Revenue is a more complex project and issued a CP to obtain constituent input early in the standard development process. The 38 responses from constituents to the CP are posted publicly on the IPSASB website.
 - February 2020 Exposure Draft (ED) 70, *Revenue with Performance Obligations* and ED 71, *Revenue without Performance Obligations* – The IPSASB considered constituent inputs from the CP phase to develop, approve, and publish two EDs for public exposure. Responses from constituents to the EDs (73 for ED 70 and 65 for ED 71) are posted publicly on the IPSASB website.
 - March 2023 IPSAS 47, *Revenue* – The IPSASB began deliberating the feedback on the EDs in December 2020, and has since refined the ED proposals and addressed constituent comments, culminating in IPSAS 47.

Relevant Extracts from the IPSASB's Due Process

- b) The IPSASB's Due Process is available on the [IPSASB website](#). The relevant material to re-exposure considerations include paragraphs 25–27 and A43.

...

Approval of an International Standard, and Consideration of the Need for Re-Exposure

...

25. The IPSASB votes on the approval of the final revised content of an exposed international standard in accordance with its terms of reference. Approval of the final revised content of an exposed international standard is an approval for its issue as a final international standard, unless the IPSASB subsequently votes in favor of re-exposure as described below. (Ref: Para. A39-A40)
26. After approving the final revised content of an exposed international standard, the IPSASB considers whether there has been a substantial change to the exposed document such that a vote on re-exposure is necessary. An affirmative vote in accordance with the IPSASB's terms of reference that re-exposure is required to issue a re-exposure draft. The basis of the IPSASB's decisions with respect to re-exposure is recorded in the minutes of the IPSASB meeting at which the related project is discussed. (Ref: Para. A41-A43)
27. When an exposure draft is re-exposed, the summary memorandum accompanying the re-exposure draft includes the reasoning for re-exposure and sufficient information to allow an understanding of the changes made as a result of the earlier exposure.

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Working Procedures

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Approval of a Pronouncement, and Consideration of the Need for Re-Exposure

...

Re-Exposure (Ref: Para. 26)

...

A43. Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IPSASB before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the IPSASB; or substantial change to the substance of a proposed international standard. Re-exposure of a final international standard requires a positive vote of two thirds of IPSASB members.

...

Supporting Document 1 – [Draft] IPSAS 47, *Revenue*

1. The draft Revenue IPSAS is posted separately for easier readability. If approved for issuance in March 2023, this would become IPSAS 47, *Revenue*.
2. The IPSASB completed detailed page-flips of the [draft] IPSAS 47 at its previous meetings (up to and including the February 2023 check-in). To facilitate review, staff highlight that:
 - (a) Revisions since the version presented at the February 2023 IPSASB check-in are **in tracked changes**;
 - (b) Amendments to IPSAS 45, *Property, Plant and Equipment* have been added, as agreed in February 2023, and are consistent with Amendments to IPSAS 17, *Property, Plant and Equipment*. This is **not in tracked changes**, for easier review; and
 - (c) Minor editorial and formatting changes have been accepted to facilitate readability.